

# TOWARD A GLOBAL LEARNING ORGANIZATION: The Case for Sinar Mas Group

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*Tekanan globalisasi, diversitas budaya, dan munculnya banyak perusahaan multinasional yang saling bersaing menuntut setiap perusahaan yang berkiprah di arena global untuk menjadi organisasi pembelajaran global. Kenyataan ini mewujudkan suatu keyakinan bagi grup Sinar Mas untuk mengelola organisasinya sehingga menjadi perusahaan terkemuka, kompetitif, dan memiliki kemampuan berlaba berskala dunia. Sebagai suatu grup bisnis yang menganut pendekatan geosentrik maka senantiasa dipayakan agar dapat diciptakan organisasi pembelajaran global untuk menjamin sukses jangka panjang. Selanjutnya diuraikan tentang apa yang dimaksud dengan organisasi pembelajaran global, mengapa perlu dibangun organisasi sedemikian untuk grup Sinar Mas, serta bagaimana membangun tahapan organisasi pembelajaran global. Grup Sinar Mas dapat menciptakan masa depannya sendiri melalui keunggulan daya saing khusus yang timbul dari organisasi pembelajaran global.*

**Keyword:** inner sphere; manu-manufacturing; mento-mentofacturing; middle sphere; outer sphere; pressures of globalization

## Introduction

We have entered the era of globalization of knowledge in which information, knowledge, and competence are transmitted in many directions across organizations and countries. The acquisition, dissemination, and deployment of knowledge are playing an ever increasing role in organizational success<sup>1</sup>. Organizational knowledge is a product of learning. It is a people-related process because it involves wiring together the brains of com-

petent people so that sharing, reasoning, and collaboration become common practices. Stewart (1994) notes that "what's at stake is nothing less than learning how to operate and evaluate a business when knowledge is its chief resource and result." Organizations are becoming more dependent on people than ever before because firms require the intelligence and experience of human beings to turn that information into useful knowledge and superior decisions. Such an organization represents a learning organization that is

<sup>1</sup> There are two types of knowledge (Nonaka 1994): explicit knowledge (skills and facts that can be written down and taught to others) and tacit knowledge (skills, judgment, and intuition that people have but can't easily describe). Intellectual assets or capital are used.

"skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights" (Garvin, 1993). In fact, organizations and groups not just individuals, learn. Any given condition in an organization is affected by the applied knowledge of its members (Thompson, 1995). The pressures of globalization, cultural diversity, and the emergence of many competing global companies have urged companies to be more than domestic learning companies. They need to be global learning organizations. It has become a critical need for companies operating globally to articulate a desire to become learning organizations. The challenge to attain worldwide competitiveness has constantly been the determination of Sinar Mas Group (SMG) as cemented in its vision, i.e., to become a leading, highly competitive and profitable business enterprise on world scale. The group has grown into a diversified multinational companies and its paths of growth have been built around four core businesses that is pulp and paper; agribusiness, food and consumer products; financial services; and real estate and property development.

SMG employs 180,000 people with different nationalities working in its various companies located around the globe. As a world class group of companies, it has adopted a geocentric approach in recruiting the best people, raising capital, locating production centers, determining sourcing, marketing its products, and formulating its global strategy. Obviously, SMG is steering a course to respond effectively to global change that could contribute to creating and upholding the group's long-term success through global learning.

This paper therefore attempts to illuminate how SMG can learn faster and smarter in the rapidly changing global

environment to become a competitive global learning organization. Specifically, the main issue is ramified into three related questions as follows: (1) What is a global learning organization? (2) Why is it imperative for SMG to introduce the process of transforming the group into a global learning organization? (3) How can SMG do it?

## **Learning and Global Learning Organization**

The essence of an organization is in its people, not in its systems and procedures. The efforts of people as initiators, innovators, motivators, and implementors of all components of an organization, guide it toward a common goal. Drucker (1997) reaffirms that organizations are human enterprise and the highest purpose is "to make the strengths of the people effective and their weakness irrelevant." This obviously depends on people learning new knowledge or skills.

Consequently, to master the dynamics of global learning, it is important to understand what learning is all about. Learning can be defined "as a process by which individuals gain new knowledge and insights to change their behaviour and actions" (Marquardt and Reynolds, 1994). It has to do with attitudes of the people who work in an organization. Effective learning enhances the ability to act on the people involved. However, global learning organization is not limited to individual learning only. Although individual learning is a necessary because individual is the agent through which the organizational learning takes place but it is insufficient condition for organizational learning. Senge (1990) notes "Organization learns only through individuals who learn. Individual learning does not guarantee

organizational learning, but without it no organizational learning occurs."

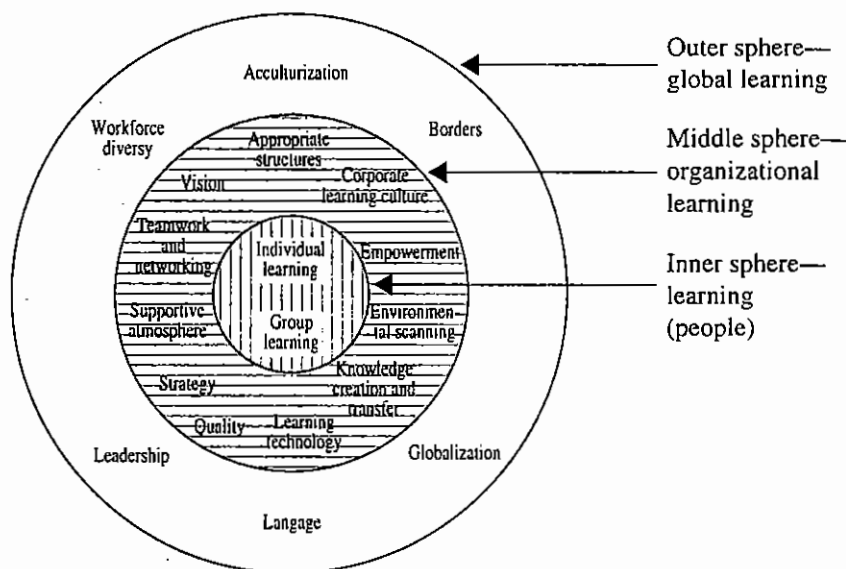
Organizational learning could be explained as shared insights and knowledge of members of the entire organization which in turn depends on institutional mechanisms such as strategies, policies, and models utilized to create, acquire and transfer knowledge. When we move from individual learning to organizational learning, there is a disproportionate increase in the complexity of the process. In this regard not only individuals are involved but also teams and the organization itself, i.e. the transfer and integration of knowledge among individuals, teams, and the organization. Organizational learning is seen as more than a sum of individuals learning. Although individuals and organizational learning are interrelated but the process of learning is influenced by much broader set of social, political, and structural variables. It is like a football team in which the winner of the match cannot be attributed to individual players or the sum of individual competencies. It is rather the result of capabilities embedded in the whole team playing in unison. The result is the creation of collective learning<sup>2</sup>.

Global learning calls for the organization to learn across national borders, across cultures, and across nations. Such organizations attempt to benchmark their efforts and performances against other successful global learning organizations. Global learning organizations can be best visualized through a comprehensive model which comprises of 3 spheres or levels with 19 relevant working elements (Marquardt and Reynolds 1994) as follows:

1. Inner sphere which represents *individual learning* (through human resource development system or any other means such as self-study, simulation, observation, and insight) and *group/team learning* (through shared experiences)
  2. Middle sphere which denotes *organizational learning* and it includes 11 elements:
    - Organization's structure (flat and streamlined)
    - Corporate learning structure (learning as culture)
    - Empowerment (capacity and power that permit learning to happen)
    - Environmental scanning (internal and external scanning that will benefit learning)
    - Knowledge creation and transfer (continual creation of knowledge and disseminated across functions, level, cultures, and borders)
    - Learning technology (information technology enable knowledge and skill development)
    - Quality (continuous improvement of total quality and commitment of employees)
    - Strategy (learning as principal driver)
    - Supportive atmosphere (development, needs and concerns of employees as important asset)
    - Teamwork and networking (teamwork and team learning through global alliances and informal relationships)
    - Vision (mission, values and benefits)
- These are the elements required to support maximum learning. They are not mutually exclusive, so the emphasis on one of those elements can foster impor-

<sup>2</sup> The term action learning is heard frequently. It is a method of learning organization in which small groups of people are involved to take a difficult task or problem in the organization and act to change it. Shortly, it is a conscious effort to review and reflect on an action of the organization.

Figure 1. Global Learning Organization Model



Source: M. Marquardt & A. Reynolds (1994)

tant improvement toward global learning.

3. Outer sphere represents the *global learning* and it includes 6 elements:

- Acculturization (synergizing the various cultures within and outside the organization)
- Borders (crossing political and geographical boundaries)
- Globalization (converging of economic and social forces in the global environment that enable an organization to operate as a single entity)
- Language (verbal and nonverbal communications of people)
- Leadership (roles and skills of leaders)
- Workforce diversity (racial, ethnic, religious, educational, social, and country of origin diversity).

The outer sphere reflects an expanded operation to the would-be global learning organization. Each is a hurdle that must be

surmounted to achieve success. The model can be depicted in an explicit and structured way as seen in Figure 1.

The model represents the interaction among individuals, groups/teams, organization systems and behaviour, and the global environment. It illustrates the dynamics of three overlapping levels that function in unison to bring the benefits of global learning organization. This entails the utilization of the combined resources and energies of individuals, groups, organizations, and global forces in the creation of global learning organization to warrant success. A global learning organization must address all those elements or at least in conquering most of them.

### The Need for Building a Global Learning Organization

Global learning organizations have become the latest buzzword. Although

there is much talk of the benefits of building and managing this type of organization, few companies have yet been able to achieve tangible results. Eastby-Smith (1997) notes that "despite the amount of interest in the topic at the moment, there is a limited amount of good empirical research into organizational learning." It is hardly surprising that, at this early stage, there are more questions than answers.

Many excellent companies become learning organizations in the global context. Several companies that reveal exemplary learning initiatives in order to be successful global learning organizations can be epitomized as seen Figure 2.

All these companies and many others have recognized the urgency to identify, protect, and maximize their knowledge-based assets or intellectual capital globally.

Royal Dutch Shell's planners uncovered that the average life span of most companies was only forty to fifty years. This indicated that one-third of the companies listed in the Fortune 500 in 1970 had vanished by 1983. One paramount question is raised: What cause their demise, and how can such an outcome be prevented? Another study conducted also by Shell covering companies that were older, were relatively important in their industries, had experienced fundamental environmental changes, and had survived with corporate identity intact, revealed that their ages varied from 200 to 700 years (e.g., Suez Canal Company, Du Pont). A company reaching this age represents many times the average life expectancy of an average Indonesian person (63 years). The finding of the study concludes that an important key to corporate longevity lays in an organization ability to learn. Those companies demonstrated that it is possible to see the signals of change earlier than

most companies do. Furthermore, they had institutionalized a process for constantly pushing the boundaries of their learning edge. They had succeeded to enhance continually their capacity to adapt to changing environment.

The SMG is currently a world class organization that engages in foreign direct investment and owns or controls value-adding activities in more than one country. It purchases resources in a variety of countries, create products and financial services in a variety of countries and then sell those products and services in a variety of countries. Business activities are coordinated from central headquarters such as Jakarta and Singapore but also allow their affiliates or subsidiaries in foreign markets considerable latitude in adjusting their operations to local circumstances.

The pulp and paper division which operates through its holding company Asia Pulp and Paper Company Ltd. (APP) contributes approximately 50 percent of the group's turnover. With a pulp production capacity of 2 million tonnes and paper and packaging capacity of 3.4 million tonnes, it makes the largest fully integrated pulp and paper manufacturer in Asia outside Japan. APP aims to become one of the top 10 producers in the world with a planned total capacity of 9.2 million tonnes by the year 2000. As a leading producer of pulp and paper it is currently a major player in Indonesia and Southeast Asia and also it exports paper to more than 40 countries. Different assortments of printing and writing paper are produced including coated and uncoated freesheet, various value added products such as carbonless paper, stationery, tissue and toilet papers, and packaging products. One of its subsidiaries, PT Pabrik Kertas Tjiwi Kimia is a fully integrated manufacturer of paper based stationery products. Another subsidiary,

Figure 2. The Companies Become Learning Organizations in the Global Context

Companies		Actual Learning		Elements of Initiatives
Motorola	→	Transactional learnings and global alliances	→	Strategic action learning for executives, technology management, empowerment, cultural sensitivity
Honda	→	World class learning environment	→	Corporate culture, quality, strategy, teamwork, empowerment, globalization, workforce diversity
Samsung	→	Targeting globally, acting locally	→	Global presence, contribution to local community, global management team, technological labour force
General Electric	→	Global action learning for global brains	→	Alignment of culture to organizational learning (acculturation), leadership world training
Singapore Airlines	→	Great way to fly worldwide	→	Strategic orientation, people approach, global outlook, commitment to service, creativity
Xerox	→	Continuous learning through quality culture	→	Leadership roles in modeling learning, performance, standard system of achieving
Tatung	→	Turning talent and technology into organizational learning	→	Industry-education cooperation program, continuous learning reinvesting the company, empowerment
Asea Brown Boveri	→	Organization for global success	→	Streamlined structure, almost staffless, learning and knowledge transfer, commitment to continuous learning, world-class HRD programs, team-working and networking globally

Source: Adjusted from M. Marquardt & A. Reynold (1994) and J. Redding (1997)

Indah Kiat Tangerang Mill is a pulp and paper company that has been accorded the ISO 14001, BS7750 and the Swiss Certification for environmental management. This division is currently operating mills outside Indonesia to mention China, India, and Malaysia.

The SMG's Agribusiness Division is one of the leaders in the edible oil and fats. It owns plantations, mills, and refineries in Sumatera, Kalimantan and Irian Jaya. PT Sinas Mas Agro, Resources and Technology (PT SMART Corporation) is an integrated company producing industrial and consumer products.

The SMG's real estate and property division is one of the real estate developers in Indonesia and its investment activities span across PRC, Malaysia, Singapore, and USA. The operation in Indonesia is undertaken by PT Paraga Artamida and PT Duta Pertiwi group of companies. PT Duta Pertiwi is the pioneer in developing the "Superblock" concept in Jakarta comprising of shop houses, shopping centres, office towers, and condominiums. This company has spearheaded the introduction of the strata title concept. The property division has also expanded its business in the hospitality industry (e.g. Grand Hyatt Jakarta Hotel, Pasadena Hilton Hotel) besides the current types of development namely residential, township, industrial estate and commercial. The agribusiness division, the food division and the property division are operating through its regional flagship Asia Food and Properties Ltd. (AFP) located in Singapore.

The SMG's financial services division is represented by Bank International Indonesia (BII). It is involved in many financial services such as banking, insurance, securities, finance, and leasing. BII is also the leading issuers of credit cards and it is the first bank to issue travelers

cheques in rupiah. The SMG has recorded successful joint-ventures with local and international partners. It facilitates international market penetration, fosters sharing of technology, and creates competitive sources for raising capital.

Although SMG possesses salient characteristics of a multi-national company such as substantial direct investment in foreign countries not just an export business and engaged in the active management of offshore assets rather than simply conducting passive portfolio investment, it cannot be categorized as a global learning organization yet. If SMG intends to occupy a commanding position especially in pulp and paper and CPO, a gradual transformation of the group into a global learning organization becomes a critical alternative. Some major benefits of a global learning organization which SMG would reap could be elucidated as follows:

1. The global learning organization is more adaptable and flexible compared to traditional organization, because it enables companies to anticipate and respond to change quickly. People will find security not in stability but in dynamic equilibrium. Simplistic answers are always less important than penetrating questions (Kofman and Senge 1995). SMG has gained invaluable knowledge in various ways including learning from experimentation, from past experience and mistakes, from experience of others, and by the acquisition of top individuals or even whole business. It is a formidable leverage of knowledge that can make SMG a successful global learning organization.
2. Experiment with and create new knowledge, rethink means and ends, and tap people's potential for learning enables an organization to renew itself and to

reinvigorate itself. Business today are exposed to surprises and discontinuous change which makes the world of business unstable. Organizations no longer have the luxury of conducting business as usual. They must learn in order to adapt and change and they must change in order to survive. So, individuals and organizations alike are challenged to keep the process of learning in motion.

3. Organizational learning involves the acquisition of new information and the ability to analyze that information creatively, learn from it, and apply that learning in new useful ways. Global learning creates an environment characterized by experimentation of accessing information, and looking for new connections.

Succinctly, all these benefits combine to drive SMG toward strategic competitive advantage globally as well as improved human capabilities and conditions within the group such as greater vitality, motivation and sense of spirit to be the best. It will ultimately generate continuous improvement of the economic value of the group.

Building a global learning organization is just like any other investment program. It can be expensive and risky because it requires large investments in people, system, and technology. McKinsey and Co. has dedicated 10 percent of its revenues to developing and managing intellectual capital. However, cost is just one side of the equation. Executives must also question the cost of not knowing. How much does it cost when an organization loses what people know, fails to inform people of valuable experience elsewhere, or too slow to respond to a customer problem? The benefits expected could not be ignored because it makes the difference between success and failure, between longevity and demise of an organization.

## The Road to Global Learning Organization

There is no universal blueprint in developing global learning organizations. This implies that companies must discover their own solution because there are different characteristics for different companies. So, each company must develop a structure and style that is best suited to its own people, history, skill base, technology, mission, and culture. It has to determine what specific characteristics it requires to be successful in its unique strategic context.

With due consideration to the lofty vision of the founders-owners-executives of SMG to excel as the world's largest and best managed companies, the characteristics that SMG should share as a global learning organization are:

1. Views the unexpected as an opportunity to learn
2. Capitalized on uncertainty and change as occasions to learn
3. Creates new knowledge with objective information, subjective insights, and hunches
4. Has a holistic, systematic view of the group and its systems, processes, strategies and people
5. Shares groupwide vision, purpose, and value
6. Has systems for sharing learning and using it in the business
7. Has decentralized decision making and employee empowerment
8. Links employee's career development to the development of the group as a whole
9. Provides frequent opportunities to learn from experiences and mistakes
10. Networks technologically with the larger global business community
11. Rewards employee initiative and provides structure for it



12. Strives for continuous improvements and breakthroughs
13. Structures, fosters, and rewards all types of teams
14. Uses cross-functional, cross-companies, and cross-divisional work teams
15. Uses skill inventories and assessment of learning capacity
16. Views the group as a living and growing organism

Transforming the SMG into a global learning organization can be flowcharted in four phases to ensure that what the group thinks really happens<sup>3</sup>.

### ***Phase 1: Foundation Stage***

This stage is one that creates an environment where people will feel supported and encouraged to learning. New learning is introduced that moves employees' perceptions out of the mode of thinking of work and of learning as they do at present. SMG has developed corporate values to motivate and encourage its employees to advance professionally and personally, to mention:

1. The Key Success Factors underlined by the founder-owner-chairman of SMG: Eka Tjipta Widjaja, could serve as a way of life for all SMG's employees:  

Hardworking	—	Thrifty
Honest	—	Loyal
Perseverance	—	Zealous

The achievement of these personal values is, in fact, a learning process.
2. The Management by Olympic System (MBOS) introduced by Teguh Ganda Wijaya (President Pulp and Paper Division) and Franky Oesman Widjaja (President Agribusiness Division) becomes the corporate culture of the group.

It is derived from the Olympic Principles to become a world class organization with Olympic Targets to push organization improvements and Olympic Rewards as incentives that will bring about breakthroughs of business operations. The MBOS as a performance improvement program links compensation to achievement of the desired vision.

3. The top management of SMG should transform the present personnel administration department into an important HR department with strategic role. In anticipation of building a global learning organization, the strategic HR department should be further elevated into a Learning department headed by a Director of Learning or Director of Knowledge Management. Training and learning pay because of personnel and organizational empowerments.
3. SMG demonstrates an outward commitment to learning and training.

### ***Phase II: Formation Stage***

Activities at this stage include the following:

1. Learning through job rotation and training on the job.
  2. More training (seminar, workshop), lectures, discussion, and experiential learning to making learning competency a key part of the group's competitive advantage.
- The Sinar Mas - Management Development Center (SM-MDC) plays a central role in developing global managerial competencies and also transforming the mindset of the people toward learning habit. The center provides an ongoing management education which enables

<sup>3</sup> The phases of developing global learning organizations are identified by Jones and Hendry (1992). However, the content of each phase is adjusted to the present and expected situation at SMG.

- radical improvements and breakthroughs in the business operation and advancement of personal careers.
3. Learning and working in groups and teams conducted by each division including personal development, skill training, training in how to do specific job, and learning to master programs. SMG has established Core V-Teams to support the performance improvement program (MBOS) and the program called Reaching The Sky (Management Innovation and Culture Change Program)
  4. Learning and training to meet future requirements of the organization

### ***Phase III: Continuation Stage***

At this stage, the employees as learners and the organization become motivated, confident, innovative, and independent. Learning becomes a challenge to find out how learning can be accelerated for the organization and each individual employee. Reaching this stage a company will have a greater capacity to accommodate change as a means of help instead of a hindrance. Activities at this stage include the following:

1. Development of autonomous groups
2. Organizationwide career plans
3. Shared responsibilities
4. Alternative work practice

### ***Phase IV- Transformation Stage***

This stage reflects a complete change in thinking and doing things. It includes changing structures, attitudes, perceptions, learning how to have different values, and learning how to think differently by absorbing local, national, and global cultural influences. Activities at this stage include among others:

1. Everyone in the organization learns to ask and to go after the root causes of problems
2. Learning emphasizes on change and self-assessment
3. Organizational changes in structures and systems through the influence of technology, social change, and globalization influences
4. Flat organization structures with executives being developed to become coaches and facilitators instead of directors of activities
5. The social and ethical dimension underpin all organizational activity, with due regard to corporate responsibility

It is important to note that SMG does not have to pass the whole process. In phase-I and II SMG is more advanced in its learning than phase III and IV. The elements of the 3 spheres of the comprehensive model of global learning organization can be applied to each stage.

A global learning organization is never perfect, because such organization reflects a process of continual change. But building a global learning organization is possible. The people of SMG are the essence of the group's organization, so, they can make learning the essence of the organization of the group. What have been presented in this paper are possibilities, not prescriptions. It is for the top management to decide what will work best at SMG.

### ***Retrospect***

In the era of globalization of knowledge, companies are competing not with the hands (manu-manufacturing) but more with the mind (mento-mentofacturing). A world class corporation such as SMG,

being better able to create, acquire, and transfer knowledge from country to country and throughout the global organization, would provide a distinct competitive advantage.

To gain the capability to advance knowledge in order to compete globally, SMG must foster continuous learning. For that purpose, SMG must become a global learning organization for the sake of creating its own future.

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